

FEDERAL RESERVE SYSTEM

Taiwan Cooperative Bank
Taipei, Taiwan

Order Approving Establishment of Branches

Taiwan Cooperative Bank (“TCB”), Taipei, Taiwan, a foreign bank within the meaning of the International Banking Act (“IBA”), has applied under section 7(d) of the IBA¹ to establish state-licensed branches in Los Angeles, California, and Seattle, Washington. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch in the United States.

TCB acquired the branches in connection with its merger with Farmers Bank of China (“Farmers”), also in Taipei, on May 1, 2006.² Regulation K defines the establishment of an office to include the assumption of the operations of an existing office through a merger with another foreign bank.³

¹ 12 U.S.C. § 3105(d).

² On April 28, 2006, the General Counsel, after consulting with the Director of Banking Supervision and Regulation, approved under delegated authority TCB’s request to use the after-the-fact application procedures outlined in section 211.24(a)(6) of Regulation K, 12 CFR 211.24(a)(6), to establish branch offices in the United States after TCB’s merger with Farmers.

Farmers’ application to establish the Los Angeles office was approved by the Board in 1995 as a limited branch. Farmers Bank of China, 81 Federal Reserve Bulletin 620 (1995). Accordingly, it is prohibited from accepting deposits from sources other than those permitted pursuant to section 5 of the IBA and section 25A of the Federal Reserve Act. 12 U.S.C. § 3103. The Seattle office was established in 1990 as a federally licensed branch, and its conversion to a state license was approved on June 3, 2006.

³ 12 CFR 211.21(l)(2).

Accordingly, TCB, as the survivor of the merger, must obtain the approval of the Board to assume the operations of Farmers' existing U.S. offices.

Notice of the application, affording interested persons an opportunity to comment, has been published in newspapers of general circulation in Los Angeles and Seattle and Los Angeles (*Los Angeles Times* and *Seattle Times*, March 29, 2006). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the IBA.

TCB, with total assets of \$74 billion, is the largest bank in Taiwan.⁴ The Taiwanese government partially privatized TCB in 2005 but remains the largest shareholder with 43.17 percent of its voting securities. TCB provides a broad range of banking, financial, and other services primarily in Taiwan. TCB maintains representative offices in Hong Kong and Beijing and operates several nonbank subsidiaries. Other than the branches that are the subject of this proposal, TCB does not have any operations in the United States. TCB would be a qualifying foreign banking organization under Regulation K.⁵

TCB has assumed the businesses and operations of Farmers' U.S. branches. The Los Angeles and Seattle branches' primary activities are providing commercial and real estate lending to the Taiwanese community in the United States and facilitating trade transactions between the United States and Asia.

Under the IBA and Regulation K, in acting on an application by a foreign bank to establish a branch, the Board must consider whether the foreign bank (1) engages directly in the business of banking outside the United States;

⁴ Asset data are as of June 30, 2006.

⁵ 12 CFR 211.23(b).

(2) has furnished to the Board the information it needs to assess the application adequately; and (3) is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.⁶ The Board also considers additional standards set forth in the IBA and Regulation K.⁷

As noted above, TCB engages directly in the business of banking outside of the United States. TCB also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Federal Reserve previously has determined, in connection with applications involving other banks in Taiwan, including Farmers, that those banks were subject to home country supervision on a consolidated basis.⁸ TCB is supervised by the Financial

⁶ 12 U.S.C. § 3105(d)(2); 12 CFR 211.24(c)(1). In assessing this standard, the Board considers, among other indicia of comprehensive, consolidated supervision, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. No single factor is essential, and other elements may inform the Board's determination.

⁷ 12 U.S.C. § 3105(d)(3)-(4); 12 CFR 211.24(c)(2)-(3).

⁸ See SinoPac Holdings, 88 Federal Reserve Bulletin 307 (2002); Chinatrust Financial Holding Company, Ltd., 88 Federal Reserve Bulletin 303 (2002); E. Sun Commercial Bank Limited, 86 Federal Reserve Bulletin 238 (2000); Chinatrust Commercial Bank, Ltd., 84 Federal Reserve Bulletin 1121 (1998); Land Bank of Taiwan, 83 Federal Reserve Bulletin 336 (1997); Taiwan Business Bank, 81 Federal Reserve Bulletin 746 (1995); Farmers Bank of China, 81 Federal Reserve Bulletin 620 (1995).

Supervisory Commission (“FSC”) on substantially the same terms and conditions as the other banking organizations approved.⁹ Based on all the facts of record, it has been determined that TCB is subject to comprehensive supervision on a consolidated basis by its home country supervisor. The FSC has no objection to the proposal.

Taiwan’s risk-based capital standards are consistent with those established by the Basel Capital Accord. TCB’s capital is in excess of the minimum levels that would be required by the Basel Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of TCB also are considered consistent with approval, and TCB appears to have the experience and capacity to support the proposed branches. In addition, TCB has established controls and procedures for the proposed branches to ensure compliance with U.S. law and for its operations in general.

Taiwan is a founding member of the Asia/Pacific Group on Money Laundering and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, Taiwan has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Taiwan, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. TCB has policies and procedures to comply with these laws and regulations that are

⁹ The FSC, Taiwan’s umbrella supervisory agency for financial institutions, is composed of financial regulators formerly housed in the Ministry of Finance, Central Bank of China, and China Deposit Insurance Corporation. The FSC began operations in July 2004.

monitored by governmental entities responsible for anti-money laundering compliance.

With respect to access to information about TCB's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which TCB operates and has communicated with relevant government authorities regarding access to information. TCB has committed to make available to the Board such information on the operations of TCB and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, TCB has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that TCB has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, TCB's application to establish branches in Los Angeles and Seattle is hereby approved.¹⁰ Should any restrictions on access to information on the operations or activities of TCB and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by TCB or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of TCB's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by TCB with the commitments made in connection

¹⁰ Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

with this application and with the conditions in this order.¹¹ The commitments and conditions referred to above are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under 12 U.S.C. § 1818 against TCB and its affiliates.

By order, approved pursuant to authority delegated by the Board,
effective August 15, 2006.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹¹ The Board's authority to approve the establishment of the proposed branches parallels the continuing authority of California and Washington to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the California Department of Financial Institutions or Washington State Department of Financial Institutions to license the proposed branches of TCB in accordance with any terms or conditions that they may impose.